

State of Indiana

A REPORT TO INDIANA CITIZENS ON THE STATE'S FINANCES



Connie K. Nass, Auditor of State

To Indiana Citizens:

With the release of this publication, the Office of the State Auditor, which is responsible for keeping the State's official financial records, is issuing "A Report to Indiana Citizens on the State's Finances". This report provides an enhanced understanding of the current State government financial picture.

This report focuses on the General Fund and cash numbers for the fiscal year ending June 30, 2000. The most significant conclusions are:

- State expenditures per person have increased by almost 30% over inflation since 1991.
- Expenditures exceeded revenues for the first time since 1993.
- The \$2 Billion general fund surplus that existed one and one-half years ago is decreasing.

More detailed financial statements and data are presented in the State's Comprehensive Annual Financial Report (CAFR) which is produced and published by the State Auditor and is available on the Auditor's web-site at www.state.in.us/auditor/.

Connie K. Nass
Auditor of State of Indiana

General Fund—GAAP Basis

Balance Sheet
June 30, 2000
(in millions)

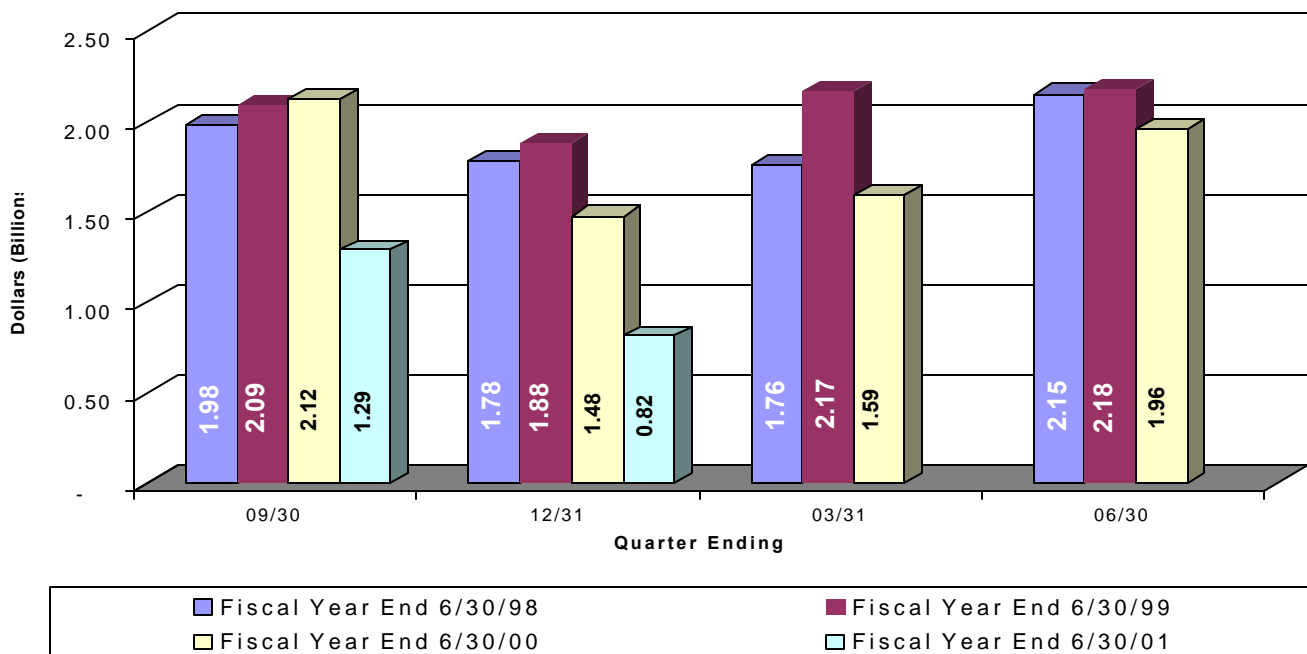
Statement of Revenues, Expenditures and
Changes in Fund Balance
June 30, 2000
(in millions)

Assets	<u>\$6,330.6</u>	Revenues	\$8,701.3
Liabilities	<u>3,111.3</u>	Expenditures	<u>8,122.7</u>
Fund Balance		Excess of revenues over expenditures	578.6
Reserved	333.3	Other financing uses	<u>(800.0)</u>
Unreserved	<u>2,886.0</u>	Excess of revenues and other financing sources over (under) expenditures and other financing uses	(221.4)
Total fund balance	<u>3,219.3</u>	Fund Balance July 1	<u>3,440.6</u>
Total Liabilities and fund balance	<u>\$6,330.6</u>	Fund Balance June 30	<u>\$3,219.2</u>

General and Property Tax Replacement Fund Cash

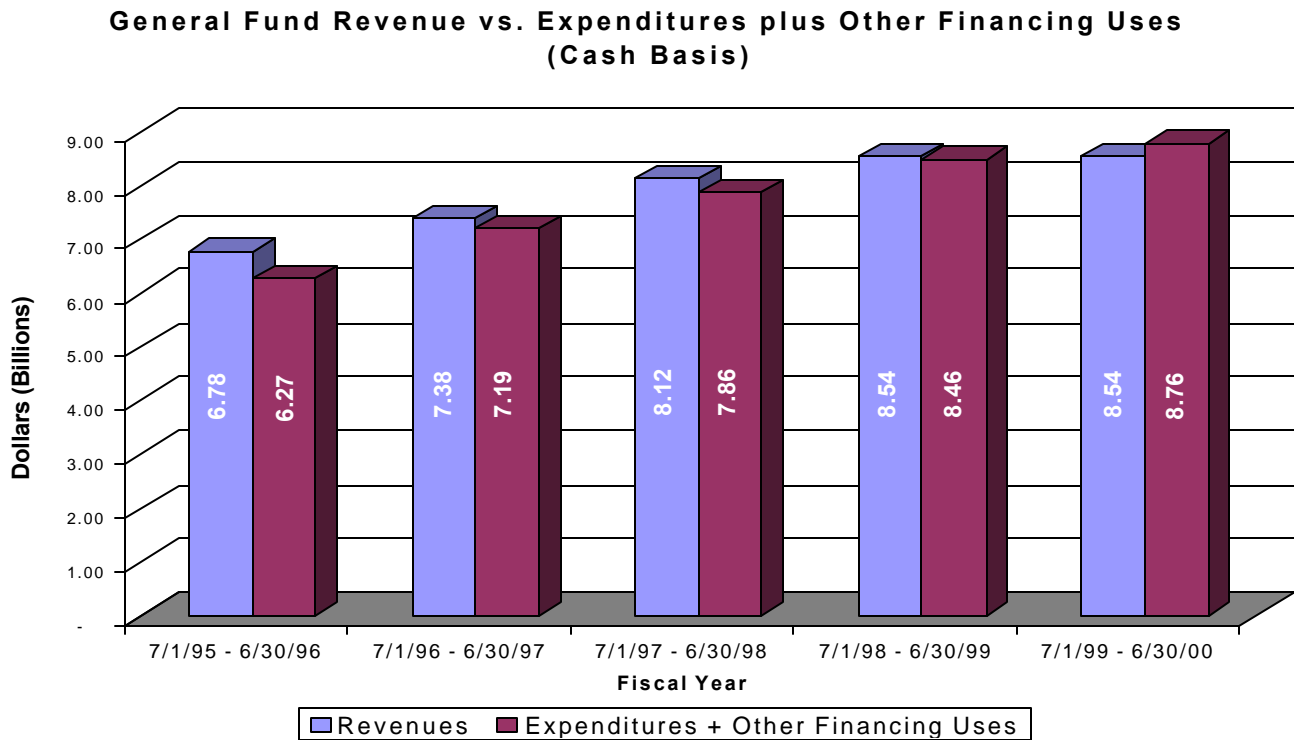
This graph shows the combined quarterly cash balances for the General and Property Tax Replacement Fund for the fiscal years 1998 through the second quarter of fiscal year 2001. The trend in the past five quarters shows the cash balances declining from prior periods. The current balance is \$815 million, a decline of \$1,144 million from the fiscal year-end June 30, 2000 balance.

General and Property Tax Replacement Fund Cash

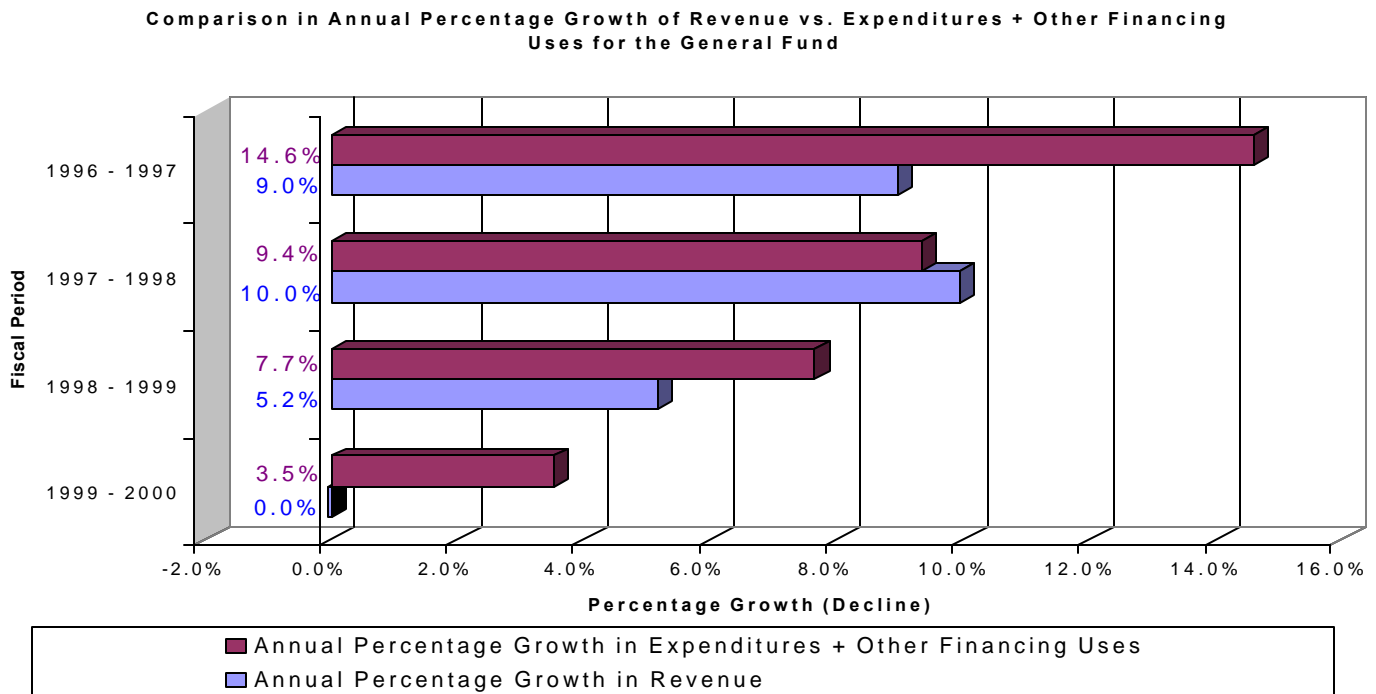


General Fund Revenue vs. Expenditures Plus Other Financing Uses

The following bar chart shows the fiscal years 1996 through 2000 revenues and expenses (including other financing uses) relationship. The revenues exceeded the expenses in all years except fiscal year 2000.

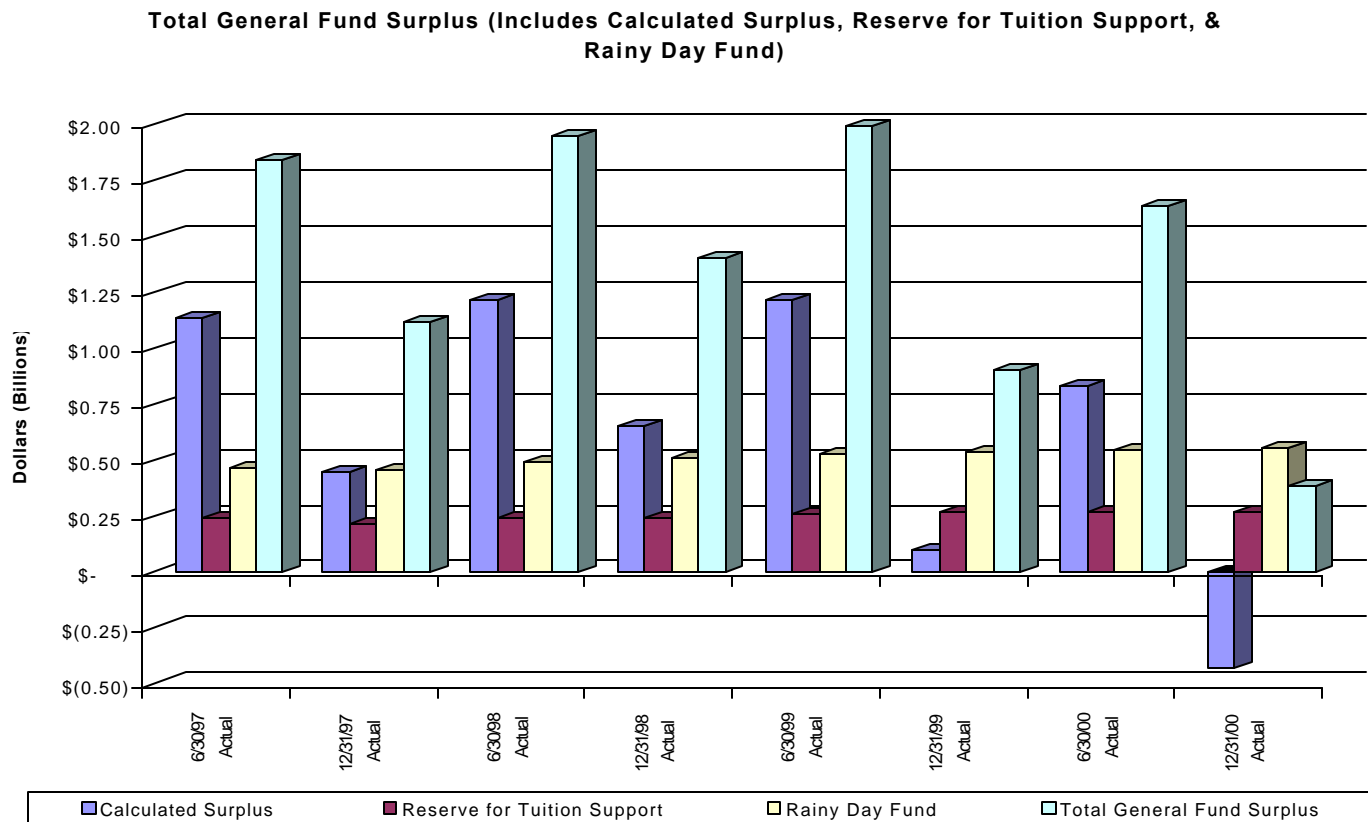


Percentage Growth in Revenues vs. Expenditures plus Other Financing Uses



The graph shown above illustrates how the rate of growth of expenditures and other financing uses is exceeding the rate of growth in revenues from 1997 to 2000.

General Fund Surplus



For budgetary purposes, Indiana State government refers to what is commonly called the General Fund surplus. This surplus is different than the surplus shown in the GAAP financial statements in three important respects. First, the surplus is calculated on a cash basis rather than the modified accrual basis; second, the balances include the Reserve for Tuition Support as well as the Rainy Day Fund; and third, non-reverting accounts in the General Fund are excluded.

The General Fund surplus is calculated monthly and reported to the State Budget Agency. The surplus may vary from month to month due to the timing of certain appropriation requests and expenditures, and the receipt of revenues. The surplus, calculated at June 30th each year, is used by the State Budget Agency to project available funds for future budgets. During fiscal year 2001, the General Fund surplus has reached its lowest level since the 1993 fiscal year-end. The highest recent year-end General Fund surplus was \$1.99 billion on June 30, 1999.

The above graph shows the trend in the General Fund surplus that includes a calculated surplus, the Reserve for Tuition Support, and the Rainy Day Fund. The “calculated surplus” is the surplus calculation based on non-reverting accounts that are a part of the General Fund. During fiscal year 2000, the General Fund surplus dropped from \$1.99 billion to \$1.64 billion. Since the end of fiscal year 2000, the General Fund surplus has dropped to \$383 million, a drop of \$1.26 billion. Part of the shortfall in revenues resulted from the suspension of the gasoline sales tax which amounted to over \$46 million and the payments to counties reimbursing them for the loss of revenue under the Personal Property Tax Reduction Credit program which amounted to \$182.9 million for calendar year 2000.

Revenue

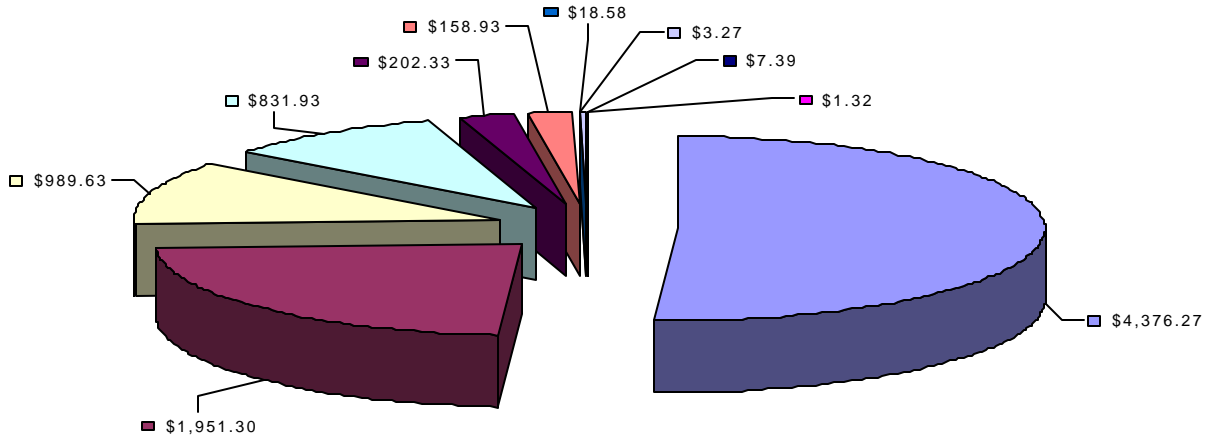
The following table shows the General Fund revenues by type for years 1996 through 2000.

General Fund Revenues
Cash Basis

(Dollars in Millions)

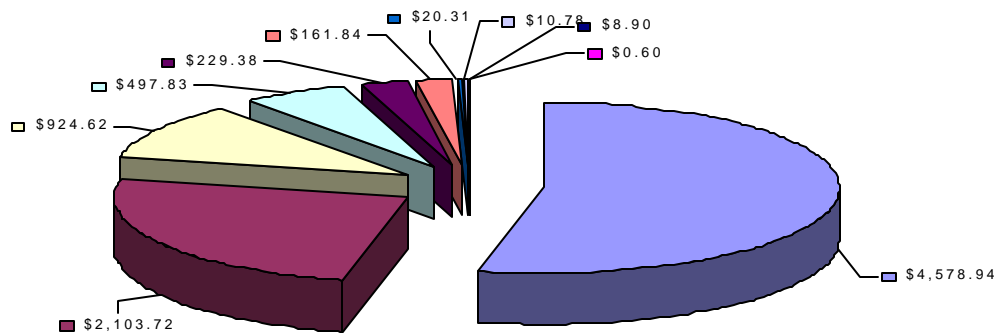
Revenue	Fiscal Year 1996 7/1/95 - 6/30/96	Fiscal Year 1997 7/1/96 - 6/30/97	Fiscal Year 1998 7/1/97 - 6/30/98	Fiscal Year 1999 7/1/98 - 6/30/99	Fiscal Year 2000 7/1/99 - 6/30/00
Tax	\$ 6,425	\$ 7,014	\$ 7,571	\$ 8,149	\$ 8,105
Licenses	20	18	19	19	20
Current Service Charges	147	155	177	159	162
Investment Income	168	178	332	202	229
Sales	1	1	1	1	1
Grants	7	9	13	3	11
Other	9	8	8	7	9
Total Revenue	\$ 6,776	\$ 7,383	\$ 8,120	\$ 8,541	\$ 8,537

General Fund Revenue, Fiscal Year 1999, Cash Basis (Dollars in Millions)



Individual Income Tax	Sales Tax	Corporate Income Tax
Other Tax	Investment Income	Current Service Charges
Licenses	Grants	Other
Sales		

General Fund Revenue, Fiscal Year 2000, Cash Basis (Dollars in Millions)



Individual Income Tax	Sales Tax	Corporate Income Tax
Other Tax	Investment Income	Current Service Charges
Licenses	Grants	Other
Sales		

The two charts shown above illustrate the source of revenue for the years 1999 and 2000. Tax revenue represents the largest portion of General Fund revenue. Sales tax, individual income tax and corporate income tax are the largest components of tax revenue. Other revenues include investment income, current service charges, licenses, grants, sales and other miscellaneous receipts.

Expenditures

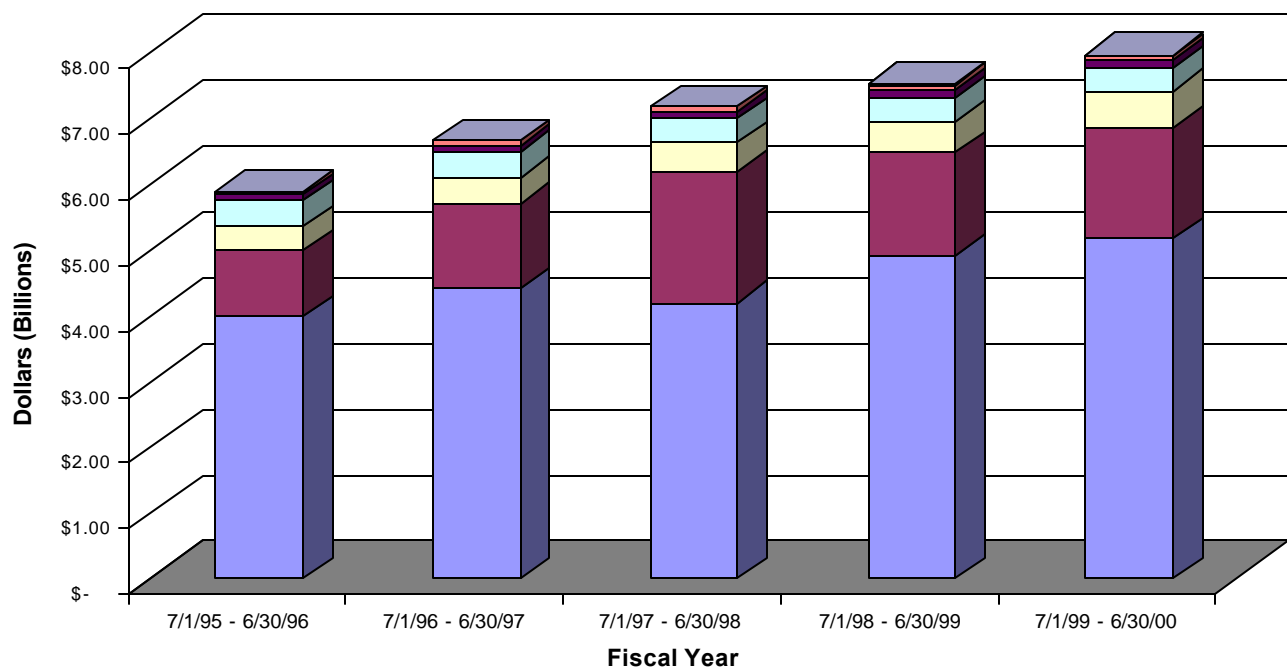
General Fund expenditures were \$7.96 billion for fiscal year 2000, an increase of \$450 million over fiscal year 1999. This is an increase of 6% over the prior year expense levels. The chart below shows the historical trends by function of government for the past five years and the bar chart shows their upward trend.

General Fund Expenditures
Cash Basis

(Dollars in Millions)

Function of State Government	Fiscal Year 1996 7/1/95 - 6/30/96	Fiscal Year 1997 7/1/96 - 6/30/97	Fiscal Year 1998 7/1/97 - 6/30/98	Fiscal Year 1999 7/1/98 - 6/30/99	Fiscal Year 2000 7/1/99 - 6/30/00
General Government	\$ 994	\$ 1,274	\$ 1,989	\$ 1,548	\$ 1,690
Public Safety	366	402	451	488	555
Transportation	1	1	3	3	-
Health	95	103	109	116	126
Welfare	381	395	354	362	349
Conservation, Culture Development	50	54	71	78	68
Education	3,985	4,413	4,193	4,914	5,168
Other	9	5	0	1	6
	<u>\$ 5,882</u>	<u>\$ 6,647</u>	<u>\$ 7,169</u>	<u>\$ 7,510</u>	<u>\$ 7,961</u>

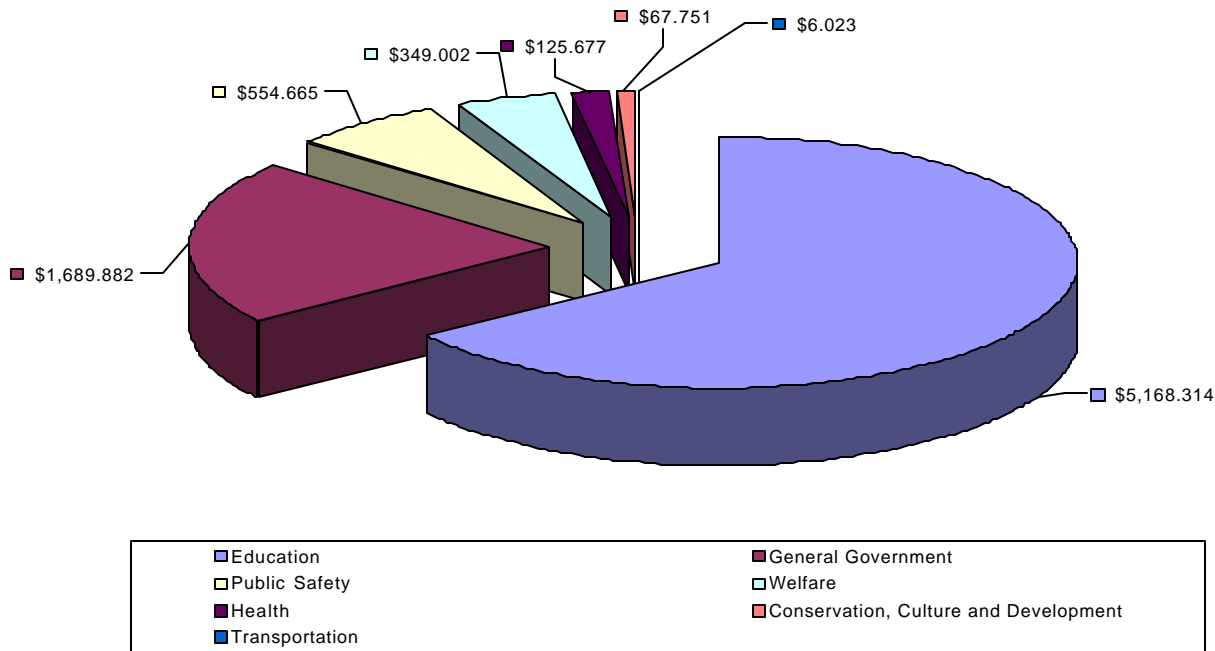
General Fund Expenditures (Cash Basis)



General Fund Expenditures by Function

The following pie chart shows the General Fund expenditures by function of government. The largest percentage of expenditures go to education with the next largest category being general government.

General Fund Expenditures, Fiscal Year 2000, Cash Basis (Dollars in Millions)



The following graph shows the growth of State expenditures, governmental fund types, per person for the past ten years. In 1991 the spending level was \$1,785 per person in the State. In fiscal year 2000, this had increased to \$2,928. This is an average annual increase of more than 6% per year. Over the ten year period, this represents an increase that is almost 30% over the inflation rate for the same period. Had State expenditures per person increased at the average rate of inflation, the fiscal year 2000 expenditures per person would have been \$2,268 rather than \$2,928.

State Expenditures per Person

